



## 1Q23 Earnings Release

*Eucatex (B3: EUCA3 and EUCA4), one of the largest manufacturers of panels in Brazil, with operations also in the paint, varnish, laminated flooring, partitions and doors segments, announces today its results for the 1<sup>st</sup> quarter of 2023 (1Q23). The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS). Except where stated otherwise, the amounts are in millions of Brazilian real (R\$ million) and comparisons are with the same period the previous year.*

### 1Q23 Conference Call

(Portuguese only)

May 12, 2023  
11.00 a.m. (Brasília)

[www.eucatex.com.br/ri](http://www.eucatex.com.br/ri)

*English transcript will be available after the event*

eucatex   
**cultivando**  
*o amanhã*

## Highlights

### 1Q23

- Net Revenue of R\$ 678.6 million (+13.5%)
- Recurring EBITDA of R\$ 148.8 million (+20.7%), with Margin of 21.9%
- Recurring Net Income of R\$ 86.2 milhões (0.2%)

Amounts in R\$ million	1Q23	1TQ2	Var. (%)
Net Revenue	678.6	597.8	13.5%
Gross Profit	221.5	209.4	5.8%
Gross Margin (%)	32.6%	35.0%	-2.4 p.p.
EBITDA adjusted by non-cash events	92.7	122.2	-24.1%
EBITDA Margin (%)	13.7%	20.4%	-6.7 p.p.
Net Income (Loss)	76.9	85.4	-10.0%
<b>Recurring Net Income (Loss)</b>	<b>86.2</b>	<b>86.1</b>	<b>0.2%</b>
Net Debt	514.9	420.3	22.5%
Net Debt / EBITDA (LTM)	0.9	0.8	13.7%
<b>Recurring Adjusted EBITDA</b>	<b>148.8</b>	<b>123.2</b>	<b>20.7%</b>
<b>Recurring Adjusted EBITDA Margin</b>	<b>21.9%</b>	<b>20.6%</b>	<b>1.3 p.p.</b>

## Management Comments

The year 2023 begins with the impact of the approval of the Transition PEC, which significantly increased the fiscal deficit for the current year while discussions are in progress about the New Fiscal Framework, which refers to the government's proposal to control the growth in public spending in alignment with future revenue growth. The Brazilian Central Bank continues its measures to combat inflation, for which it has resorted to monetary tightening policy, which ultimately affects the level of economic activity. In the same vein, central banks around in the world have been acting almost in unison, raising interest rates to levels of inflation seldom seen in many countries.

As a result, certain sectors that are more sensitive to high interest rates, such as those in which the company operates, registered a decline or very feeble growth in the first quarter. However, the level of activity in the country as a whole surprised positively, with growth outperforming expectations, driven by the agricultural sector and by household consumption.

The indicator of activity in the wood panels sector, measured by the Brazilian Tree Industry (IBÁ), pointed to a 0.9% decline in domestic consumption, made up of the 7.2% growth in MDP sales and 6.1% drop in MDF sales. This indicates busier economic activity in the serial furniture sector, that is, furniture produced by industrial units where MDP is their main input, and weaker activity among timber dealers, who use MDF.

In the construction sector, the ABRAMAT (Brazilian Construction Materials Industry Association) index, which measures the variation in construction material revenues excluding inflation, dropped 6.5% in the year until March 2023, compared to the same period in 2022. Nevertheless, ABRAMAT expects the year to end with growth of 2%, driven by the recent real estate cycle and the relaunch of the “Minha Casa Minha Vida” program.

Finally, according to the Brazilian Paint Manufacturers Association (ABRAFATI), the paint sector grew 3.2% in the year until March 2023 compared to the same period in 2022.

In January 2023, the Company signed a mediation agreement with the Municipal Government of São Paulo and the São Paulo State Prosecution Office, bringing to end a dispute in multiple jurisdictions. In return, without admitting guilt, the Company undertook to pay approximately US\$ 7 million to the public coffers, which was made in April.

At the same time, Banco BTG Pactual acquired a significant interest of around 33% of the preferred shares of the Company, until then held by some foreign investment funds.

The Company's control group will not change with the entry of BTG Pactual and a shareholders' agreement was signed outlining the issues related to corporate governance and transparency towards all market players, including a provision about migrating to the Level 2 special listing segment of B3.

## Operating Performance and Results

### Net revenue

Net Revenue Breakdown (R\$ million)	1Q23	1Q22	Var. (%)
Furniture Industry and Resale Segment	272.7	212.7	28.2%
Construction Segment	233.3	225.2	3.6%
Export Segment	161.1	154.4	4.3%
Other (*)	11.5	5.5	107.4%
<b>Net Revenue</b>	<b>678.6</b>	<b>597.8</b>	<b>13.5%</b>

Total net revenue in 1Q23 came to R\$678.6 million, compared to R\$597.8 million in 1Q22, up 13.5%.

### *Furniture Industry and Resale Segment*

In the Industry and Resale Segment, composed of MDP/MDF/THDF panels and Fiberboard, revenue grew 28.2% in the quarter, though average price declined 8.3% on account of a “poorer” sales mix than in 1Q22. IBÁ forecasts a 0.9% year-on-year decline in the domestic market.

### *Construction Segment*

In 1Q23, Net Revenue from the Construction Segment – composed of Laminated Flooring, Doors, Wall Partitions and Architectural Paints – increased 3.6% in relation to 1Q22.

The Company remains focused both on expanding its customer base, in which it has been successful, and on launching new products, notably including the following: waterproofing products, slatted panels, PVCWood baseboards, porcelain flooring line, and the development of new panels for the Furniture Industry and Resale Segment, as well as for the Export Market.

According to IBÁ, the Laminated Flooring market declined 13.8% in 1Q23 in relation to 1Q22. According to ABRAFATI, the Paint Market grew 3.2% in 1Q23 compared to the same period last year.

These are the two main markets served by the Construction sector and show how challenging the first quarter was.

## Export Segment

In 1Q23, the Export Segment registered 4.3% growth in revenue compared to 1Q22. Sales in the U.S. market remained practically stable, marked by stiffer competition with local players. Logistic costs and the shortage of containers generated an increase in sales costs and a loss of competitiveness for more “commoditized” products. As an alternative, the Company resorted to portfolio expansion and product differentiation, which helped maintain and even slightly increase sales. Sales to other markets became less attractive and the Company has been operating only where it is competitive.

According to IBÁ, MDP and MDF panel exports from Brazil decreased 44.8% in 1Q23 in relation to 1Q22.

## Recurring Cost of Goods Sold (COGS)

COGS increased 14.6% in 1Q23 compared to 1Q22. Raw material prices declined 8% on average in 1Q23 versus 1Q22, which benefited costs. However, wood prices continued the upward trend, increasing by more than 30% in the period. Costs were also affected by the increase in sea freight and cargo handling costs, especially in the US.

## Fair Value of Biological Assets

In 1Q23, the variation in the fair value of biological assets was R\$20.9 million, impacted mainly by the growth in planted area.

## Recurring Gross Profit and Gross Margin

Gross income reached R\$221.5 million in 1Q23, compared to R\$209.4 million in 1Q22, up 5.8%. Reflecting the higher increase in costs compared to prices and the lower fair value adjustment of biological assets, gross margin declined 2.4 p.p. between the periods.

## Recurring Operating Expenses

Breakdown of Expenses (R\$ million)	1Q23	1Q22	Var. (%)
General and Administrative	(19.8)	(20.5)	-3.7%
Selling	(88.2)	(74.6)	18.3%
<b>Total Operating Expenses</b>	<b>(108.0)</b>	<b>(95.1)</b>	<b>13.5%</b>
<b>% Net Revenue</b>	<b>15.9%</b>	<b>15.9%</b>	<b>0 p.p.</b>
Other Operating Income and Expenses	(0.0)	(0.1)	-96.7%



In 1Q23, operating expenses corresponded to 15.9% of Net Revenue, maintaining the proportion stable. In nominal terms, Operating Expenses increased 13.5% in 1Q23 compared to 1Q22, mainly impacted by the increase in domestic and export logistics costs, as well as marketing and travel expenses.

## Recurring EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$148.8 million, up 20.7% from 1Q22. Recurring EBITDA Margin in 1Q23 was 21.9%, increasing 1.3 p.p. from 1Q22.

EBITDA Reconciliation (R\$ million)	1Q23	1Q22	Var. (%)
Net Income (Loss)	76.9	85.4	-10.0%
Income Tax and Social Contribution	(9.2)	18.9	-148.5%
Net Financial Income (Loss)	(10.1)	8.9	-213.6%
<b>EBIT</b>	<b>57.6</b>	<b>113.2</b>	<b>-49.2%</b>
Depreciation and Amortization	56.1	37.5	49.6%
<b>EBITDA under CVM instr. 527/12</b>	<b>113.6</b>	<b>150.7</b>	<b>-24.6%</b>
<b>EBITDA Margin</b>	<b>16.7%</b>	<b>25.2%</b>	<b>-8.5 p.p.</b>
<b>Non-cash adjustments</b>			
Fair value variation in biological assets	(20.9)	(28.5)	-26.7%
<b>EBITDA adjusted by non-cash events</b>	<b>92.7</b>	<b>122.2</b>	<b>-24.1%</b>
<b>Non-recurring operational events</b>	<b>56.0</b>	<b>1.1</b>	<b>5215.2%</b>
<b>Recurring adjusted EBITDA</b>	<b>148.8</b>	<b>123.2</b>	<b>20.7%</b>
<b>Adjusted recurring EBITDA Margin</b>	<b>21.9%</b>	<b>20.6%</b>	<b>1.3 p.p.</b>
<b>Net income (loss) for the period</b>			
<b>Net income (loss) for the period</b>	<b>76.9</b>	<b>85.4</b>	<b>-10.0%</b>
Non-recurring profit or loss	14.1	1.1	1242.0%
Income Tax and Social Contribution on non-recurring profit or loss	(4.8)	(0.4)	-1242.0%
<b>Net income (loss) for the recurring period</b>	<b>86.2</b>	<b>86.1</b>	<b>0.2%</b>
<b>Net Margin</b>	<b>12.7%</b>	<b>14.4%</b>	<b>-1.7 p.p.</b>

## Recurring Net Income

Recurring Net Income in 1Q23, excluding the effect of non-recurring expenses and net of income tax, totaled R\$86.2 million, remaining stable in relation to 1Q22.

In 1Q23, Non-Recurring Events resulted in expenses of R\$14.1 million, broken down as follows: 1) expense of R\$35.9 million related to the portion of the mediation agreement signed by the Prosecution Office of the State of São Paulo, the São Paulo Municipal Government and Eucatex; 2) expense of R\$3.4 million with indemnities and labor lawsuits; 3) revenue of R\$ (25.2) million related to the booking of extemporaneous ICMS credit related to the lawsuit questioning the exclusion of financial charges from the calculation base of said tax, net of fees, and adjustment of inventories to market value.

## Debt

The Company's net debt at the end of 2022 was R\$514.9 million and was equivalent to 0.87 times its annualized recurring EBITDA. In 1Q23, net debt decreased R\$15.3 million despite the increase in working capital expenditure, especially in client financing, which increased R\$56.6 million.

Debt (R\$ Million)	1Q23	2022	Var. (%)	1Q22	Var. (%)
Short-Term Debt	255.9	263.5	-2.9%	204.9	24.9%
Long-Term Debt	384.2	361.6	6.2%	287.3	33.7%
<b>Gross Debt</b>	<b>640.1</b>	<b>625.1</b>	<b>2.4%</b>	<b>492.2</b>	<b>30.0%</b>
Cash and Cash Equivalents	125.2	94.9	31.9%	71.9	74.0%
<b>Net Debt</b>	<b>514.9</b>	<b>530.2</b>	<b>-2.9%</b>	<b>420.3</b>	<b>22.5%</b>
% Short-Term Debt	40%	42%	-2 p.p.	42%	-1 p.p.
<b>Net Debt/Recurring EBITDA</b>	<b>0.9</b>	<b>1.1</b>	<b>-20.7%</b>	<b>0.8</b>	<b>13.7%</b>

## Investments

Investments in 1Q23 totaled R\$65.5 million and were allocated to maintaining the Company's industrial and, especially, forest operations. For 2023, investments of around R\$251.0 million are planned, an increase of 4.0% from 2022, due to the significant increase in the plantation of new forests and the increase in prices of imported parts and services.

## Sustainability

Eucatex's forest sustainability is assured by 42,800 hectares of forests, all located in the state of São Paulo.

The Company is recognized for its sustainable development practices and was the first in the industry to obtain the ISO 9001 certification, in 2000. It also holds the ISO 14001 certification and the Green Seal awarded by the Forest Stewardship Council (FSC), which certifies that its forests are managed in accordance with rigorous environmental, social and economic standards.

In another pioneering initiative, Eucatex became the first in the industry in South America to build a woodchip recycling line on an industrial scale. Its state-of-the-art equipment enables materials obtained within a radius of approximately 120 kilometers from the Salto (São Paulo) unit to be used as raw material for producing panels and as biomass for firing its boilers. Its total nominal processing capacity 240,000 metric tons/year, which is equivalent to approximately 2 million trees, 470,000 m<sup>3</sup> of standing timber or 1,500 hectares of planted forests. Investments in land and planting to maintain this volume of wood, considering a seven-year cycle, would be around R\$200 million. Not only does it generate cost benefits, but recycling woodchips also prevents this material from being deposited in local landfills.

In another important step forward in its Environmental, Social and Governance (ESG) practices, the Company recently signed a long-term electricity purchase agreement (PPA) with the Comerc Energia Group, as part of an investment of approximately R\$ 1 billion in the Castilho solar power plant, the biggest in the state of São Paulo, with generation capacity of 269 MWP in the self-production model. This clean and renewable energy will meet 50% of the consumption needs of the Company's production units.

## Capital Markets

Eucatex's common and preferred shares, listed on the B3 under the tickers EUCA3 and EUCA4, closed 1Q23 quoted at R\$9.55 and R\$9.50, respectively. The Company's market capitalization at the end of the period was R\$881.4 million, around 42% of its book value.

## About Eucatex

Eucatex S.A. Indústria e Comércio, which completes 72 years in 2023, is one of Brazil's largest manufacturers of flooring, wall partitions, doors, MDP/MDF/T-HDF panels, fiberboard, and paints and varnishes. It operates six plants in Botucatu and Salto (both in São Paulo) and Cabo de Santo



Agostinho (Pernambuco), employing 2,929 people. Its products are exported to more than 37 countries. For more information, visit [www.eucatex.com.br/ri](http://www.eucatex.com.br/ri).

*This document contains forward-looking statements related to the business prospects, estimates of operating and financial results, and those related to the growth prospects of Eucatex. These are merely projections and as such are based exclusively on the expectations of Eucatex management concerning the future of the business. These forward-looking statements substantially depend on market conditions, the performance of the Brazilian economy, the sector and the international markets and therefore are subject to change without prior notice.*

## Audit

*The policy of the Eucatex Group regarding services provided by its independent auditors that are not related to the external audit of its financial statements is based on the principles of maintaining professional independence. These principles are based on the premise that the auditor must not examine their own work, perform managerial functions or practice law on behalf of clients. In 1Q23, the Eucatex Group did not engage Mazars Auditores Independentes SS for services other than audit. Our independent auditors did not audit the operational and financial indicators.*

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## Income Statement

Income Statement (R\$ million)	1Q23	1Q22	Var. (%)
<b>Gross Revenue</b>	<b>794.0</b>	<b>701.4</b>	<b>13.2%</b>
Sales Taxes	(115.5)	(103.6)	11.5%
<b>Net Revenue</b>	<b>678.6</b>	<b>597.8</b>	<b>13.5%</b>
Fair Value Variation in Biological Assets	20.9	28.5	-26.7%
Cost of Goods Sold	(477.9)	(416.9)	14.6%
<b>Gross Profit</b>	<b>221.5</b>	<b>209.4</b>	<b>5.8%</b>
<b>% Gross Margin</b>	<b>32.6%</b>	<b>35.0%</b>	<b>-2.4 p.p.</b>
Selling Expenses	(88.2)	(74.6)	18.3%
General and Administrative Expenses	(17.1)	(18.1)	-5.6%
Management Compensation	(2.7)	(2.4)	10.9%
Other Operating Income / (Expenses)	(0.0)	(0.1)	96.7%
<b>Operating Income (Expenses)</b>	<b>(108.0)</b>	<b>(95.2)</b>	<b>13.4%</b>
<b>Net Income before Financial Result</b>	<b>113.6</b>	<b>114.3</b>	<b>-0.6%</b>
Net Financial Income (Expense)	(31.7)	(8.9)	-255.4%
Non-recurring Income (Expense)	(14.1)	(1.1)	-1242.0%
<b>Net Income (Loss) after Financial Result</b>	<b>67.7</b>	<b>104.3</b>	<b>-35.1%</b>
Provision for Income Tax and Soc. Contr.	9.2	(18.9)	-148.5%
<b>Net Income (Loss) before Non-Controlling Interest</b>	<b>76.9</b>	<b>85.4</b>	<b>-10.0%</b>
Non-controlling Interest	0.0	(0.0)	-101.5%
<b>Net Income (Loss) from the Period</b>	<b>76.9</b>	<b>85.4</b>	<b>-10.0%</b>
<b>Net Margin</b>	<b>11.3%</b>	<b>14.3%</b>	<b>-3 p.p.</b>

\* Values of items: Cost of Goods Sold, Selling Expenses, General and Administrative Expenses, and Other Operating Expenses /Income are net of non-recurring expenses.

## Balance Sheet

Balance Sheet (R\$ '000)	1Q23	2022	Var. (%)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	33.7	22.8	48.2%
Marketable Securities	91.4	72.2	26.7%
Trade Accounts Receivable	608.3	563.6	7.9%
Inventories	492.7	578.6	-14.8%
Taxes Recoverable	129.1	99.0	30.4%
Prepaid Expenses	18.9	17.5	7.7%
Other receivables	4.6	4.4	5.3%
<b>Total Current Assets</b>	<b>1,378.8</b>	<b>1,358.1</b>	<b>1.5%</b>
<b>Non-Current Assets</b>			
<b>Long-Term Assets</b>			
Trade Accounts Receivable	20.6	20.6	0.0%
Taxes Recoverable	96.0	95.5	0.4%
Deferred income tax and social contribution	84.8	72.5	16.9%
Assets held for sale	0.6	0.6	-0.8%
Investment properties	23.7	23.7	0.0%
Judicial Deposits	46.6	46.6	0.0%
Other receivables	11.1	11.1	0.0%
<b>Total Long-Term Assets</b>	<b>283.5</b>	<b>270.8</b>	<b>4.7%</b>
Investments	-	-	0.0%
Biological Assets	810.3	788.3	2.8%
Fixed Assets	1,320.7	1,248.2	5.8%
Intangible Assets	17.6	17.9	-1.5%
<b>Total Permanent Assets</b>	<b>2,148.6</b>	<b>2,054.4</b>	<b>7.1%</b>
<b>Total Non-Current Assets</b>	<b>2,432.1</b>	<b>2,325.2</b>	<b>4.6%</b>
<b>Total Assets</b>	<b>3,810.9</b>	<b>3,683.3</b>	<b>3.5%</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade Accounts Payable	219.0	230.9	-5.1%
Loans and Financing	255.9	263.5	-2.9%
Labor Liabilities	45.3	42.8	5.9%
Tax Liabilities	21.1	36.5	-42.1%
Related Parties	-	-	0.0%
Tax Installments	32.0	31.6	1.5%
Advances from Clients	31.5	58.3	-46.0%
Dividends and Interest on Equity Payable	164.5	165.1	-0.4%
Accounts Payable	78.3	39.6	98.1%
Lease Liabilities	26.5	27.2	-2.7%
<b>Total Current Liabilities</b>	<b>874.1</b>	<b>895.5</b>	<b>-2.4%</b>
<b>Non-Current Liabilities</b>			
Loans and Financing	384.2	361.6	6.2%
Trade Accounts Payable	-	-	0.0%
Tax Installments	19.8	27.2	-27.1%
Deferred Income tax and Soc. Contr.	112.2	113.6	-1.2%
Provision for Contingencies	78.2	78.2	0.0%
Related Parties	-	-	0.0%
Lease Liabilities	255.2	194.4	31.3%
<b>Total Non-Current Liabilities</b>	<b>849.7</b>	<b>775.0</b>	<b>9.6%</b>
<b>Shareholders' Equity</b>			
Capital	851.9	851.9	0.0%
Revaluation Reserves	156.2	156.2	0.0%
Profit Reserve	995.2	918.3	8.4%
Asset Valuation Adjustment	81.9	81.9	0.0%
Other Comprehensive Income	4.8	7.4	-34.9%
Treasury Stock	(2.9)	(2.9)	0.0%
Retained Earnings	-	-	0.0%
<b>Total Shareholders' Equity</b>	<b>2,087.2</b>	<b>2,012.9</b>	<b>3.7%</b>
Non-controlling Interest	(0.1)	(0.1)	-0.1%
<b>Total Shareholders' Equity &amp; Non-controlling Interest</b>	<b>2,087.1</b>	<b>2,012.8</b>	<b>3.7%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,810.9</b>	<b>3,683.3</b>	<b>3.5%</b>

## Cash Flow

Operating Cash Flow (RS '000)	1Q23	1Q22
<b>Net Income (Loss) before Income Tax and Social Contribution</b>	<b>76.9</b>	<b>85.4</b>
<b>Adjustments to reconcile the result to cash and cash equivalents generated by operating activities</b>		
Depreciation and Amortizations	24.0	25.3
Exhaustion of Biological Assets	32.1	15.2
Write-off of Investments	0.0	0.1
Fair Value Variation in Biological Assets	(20.9)	(28.5)
Interest, Monetary and Exchange Variations, net	11.0	(17.4)
Income Tax and Social Contribution	4.4	21.1
Provision for Tax Gains	(10.0)	-
Income and Social Contribution Taxes - Deferred	(13.6)	(2.2)
Other Provisions	2.1	(7.6)
<b>Changes in operating assets and liabilities</b>		
Marketable Securities	(19.3)	47.9
Trade Accounts Receivable	(47.2)	22.9
Inventories	85.9	(37.9)
Recoverable Taxes	23.6	18.5
Deferred Expenses	(1.4)	1.2
Judicial Deposits	0.0	0.1
Other Receivables	(0.2)	1.1
Trade Accounts Payable	(11.9)	(44.1)
Labor and Tax Liabilities	(19.3)	(31.5)
Tax Installments	(7.8)	(7.6)
Advances from Clients	(26.9)	(7.8)
Accounts Payable	54.7	(6.5)
<b>Net Cash Flow from Operating Activities</b>	<b>136.4</b>	<b>47.7</b>
<b>Cash Flow from Investing Activities</b>		
Capital Decrease in Subsidiaries	-	-
Addition to Fixed Assets	(96.2)	(35.1)
Addition to Biological Assets	(33.2)	(22.5)
<b>Net cash used in investing activities</b>	<b>(129.5)</b>	<b>(57.7)</b>
<b>Cash Flow from Financing Activities</b>		
Amortization of Loans and Financing	(65.7)	(64.7)
Amortization of Leases	-	-
New Loans and Financing	70.5	53.4
Amortization of Loans with Related Parties	-	-
Distribution of Dividends/Interest on Equity	(0.7)	-
<b>Caixa líquido aplicados nas atividades de financiamentos</b>	<b>4.1</b>	<b>(11.3)</b>
<b>Net Cash Used in Financing Activities</b>	<b>11.0</b>	<b>(21.2)</b>
<b>Increase (Reduction) in Net Cash and Cash Equivalents</b>	<b>22.8</b>	<b>44.8</b>
<b>Cash and Cash Equivalents</b>	<b>33.7</b>	<b>23.6</b>
Opening Balance of Cash and Cash Equivalents	<b>11.0</b>	<b>(21.2)</b>